COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR

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MARK J. SALADINO
TREASURER AND TAX COLLECTOR

June 6, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Mark J. Saladino
Treasurer and Tax Collector

SUBJECT: SALE OF 2007-08 TAX AND REVENUE ANTICIPATION NOTES AND LONG-TERM CREDIT RATINGS UPGRADE

This memorandum is to advise you that earlier today my office sold $500 million in Tax and Revenue Anticipation Notes ("Notes"). The issuance of the 2007-08 Notes was authorized by your Board on May 15, 2007 as an integral component of the County's cash management program. In spite of a sharp rise in short-term rates in the tax-exempt market during the past two months, the Notes were sold at a very competitive interest cost, with a coupon of 4.50% and a yield of 3.62%.

In connection with the sale of this year's Notes, my office requested that each of the three credit rating agencies review both the County's short-term and long-term credit ratings. For the 11th consecutive year, Standard & Poor's, Moody's and Fitch Ratings each assigned their highest short-term ratings to the County's Notes. More importantly, the County received an upgrade to its long-term credit rating from Standard & Poor's. In a press release dated June 5, 2007 (attached), Standard & Poor's announced it was raising its rating on the County's lease debt and pension obligation bonds from "A" to "A+" and assigning its "AA-" issuer credit rating to the County. The improvement to a "AA-" rating represents the first time since September 1994 that Standard & Poor's has assigned a rating in the "AA" category to the County. As support for this upgrade, Standard & Poor's cited the County's strong economy, healthy general fund balances, low debt levels, and improved discretionary revenues. Moody's and Fitch Ratings have requested additional time to complete their review of the County's long-term debt ratings.

A copy of the Official Statement for the 2007-08 Notes will be forwarded to your attention as soon as it becomes available. If you have questions regarding either the 2007-08 Notes or the ratings upgrade, please contact me directly or have your staff contact Glenn Byers of my office at 974-7175.

MJS:GB:DB
pb/db/bospricing memo

Attachments

c: Executive Officer, Board of Supervisors
Chief Administrative Officer
Auditor-Controller
County Counsel

RESEARCH

Los Angeles County, CA's Lease Debt And POBs Rating Raised To 'A+'; ICR Of 'AA-' Assigned

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Primary Credit Analyst: David G Hitchcock, New York (1) 212-438-2022; david_hitchcock@standardandpoors.com
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NEW YORK (Standard & Poor's) June 5, 2007--Standard & Poor's Ratings Services raised its rating on Los Angeles County, Calif.'s lease debt and pension obligation bonds to 'A+' from 'A' and assigned its 'AA-' issuer credit rating to the county.

The upgrade reflects the county's improved long-term general creditworthiness, highlighted by the maintenance of healthy and improving unreserved general fund balances, an improved proportion of budgetary discretionary revenues, and strong economic performance.

The outlook is stable, reflecting a strong economy, low debt and limited capital needs, and good fund balances, which have shown gradual growth over the last several years. These strengths are offset by potential future pressures from funding indigent health care and a large OPEB liability, expected to begin being addressed by the county in the coming year.

Counties in California have been somewhat insulated from state budgetary difficulties since the passage of state Proposition 1A in 2004, which limits the ability of the state to reduce state funding to local governments. Combined with surging Los Angeles County property values and conservative county budgeting, county unreserved general fund balances have gradually grown from 12.3% of expenditures and transfers out in fiscal 2003 to 19.1% at fiscal year-end 2006, the last audited year. In addition, the county is ending its long-standing practice of budgeting excess county pension fund earnings in its general fund starting with its fiscal 2008 budget, and its $1.4 billion of onetime capital spending in fiscal 2008 provides some leeway to cut future budgets. Although the county recently released a large $20 billion estimate of its other postemployment benefits (OPEB) unfunded liabilities, this obligation can be funded over a number of years, and upcoming debt retirements in the next five years should provide some breathing room to address this liability.

Complete ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Credit Ratings in the left navigation bar, select Find a Rating, then Credit Ratings Search.